

January 29, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

### **STATE BUDGET UPDATE**

Yesterday afternoon, the Assembly took up a series of budget related bills in response to the Governor's request for \$10.1 billion in mid-year budget corrections. According to the Report of the Assembly Budget Committee, the savings in the seven bills that make up the package amount to \$12.4 billion, including \$3.5 billion in the current year and \$8.9 billion in the budget year. While the total savings exceed the amount requested by the Governor, one of the bills - AB 4X1 (Wesson) - accounts for \$3.9 billion of the savings based on the assumption that the entire VLF backfill will be reduced in FY 2003-04 and that the VLF rate will be increased to keep local governments whole.

While two of the budget bills passed overwhelmingly, the bills that actually reduce spending - AB 8X1 that contains education cuts and AB 6X1 that contains non-education cuts - were approved on essentially party line votes with Republicans objecting to the fact that the bills had been double joined with AB 4X1. In addition, the votes on AB 10X1, which authorizes increased fees by the Air and Water Boards, and on AB 12X1, which reduces corrections spending, were also basically party line.

Following caucuses by both parties, Assemblymember Steinberg offered an amendment to AB 4X1 to exempt all cars with a "cost price" of \$5,000 or less from any VLF rate increase triggered by a reduction in the VLF backfill. According to the amendment's author, this would exempt twenty-seven percent of the cars in California and result in a reduction in VLF revenue of \$80 million which local governments would have to absorb. In fact, the bill permanently reduces the State backfill by \$80 million so that local governments will lose that amount even if the VLF is not increased. The impact on Los Angeles County would be approximately \$12 million.

Republicans objected to the Steinberg Amendment on the grounds that it would prevent putting AB 4X1 to a referendum, which they had threatened to do. The reason for this is that the State constitution prohibits a referendum on a tax levy which the amended bill became by virtue of the fact that it would reduce taxes on less expensive cars. However, it may be possible to submit provisions of a law to a referendum, in which case the Republicans might still be able to put the trigger provisions to a referendum. The amended bill passed on essentially a party line vote of 45-33. A copy of the vote is attached.

Each Supervisor  
January 29, 2003  
Page 2

The Senate is expected to take up the mid-year budget bills on Thursday. While the actions of the budget subcommittees in both houses were similar, the Senate has packaged its decisions differently in bill form. It remains to be seen how the bills will be reconciled, although both houses seem intent on having a package on the Governor's desk by his deadline of January 31.

### **Pursuit of County Position on Legislation**

**SB 5X1 (Romero)**, as introduced on January 27, 2003, establishes a five-cent fee per alcoholic beverage distributed by a wholesaler to a retailer for consumption in the State of California to fund local emergency medical services providers. Those providers include emergency rooms, trauma centers, and emergency medical professionals and other entities which provide services in alcohol-related emergencies. The State Department of Health Services would establish the requirements for reimbursement of expenses incurred in providing such services. According to the author, the bill could raise an estimated \$500 million per year.

On June 25, 2002, your Board acted to support and amend SB 928 (Romero), a similar bill which would have established a five-cent fee per alcoholic beverage distributed in the State. The County sought an amendment to ensure an equitable distribution of funds. SB 928 failed passage in the Assembly Health Committee.

**The Department of Health Services recommends that the County support SB 5X1 because it would help to secure a dedicated funding stream for the County's emergency medical and trauma systems, and we concur.**

In keeping with existing Board policy to support legislation that provides permanent and stable funding for the County's public and private emergency and trauma care systems, as well as prior Board support for SB 928 (Romero), our Sacramento Advocates will seek passage of SB 5X1. SB 5X1 has not been set for hearing.

We will continue to keep you advised.

DEJ:GK  
MAL:JR:ib

### **Attachment**

c:     Executive Officer, Board of Supervisors  
       County Counsel  
       Local 660  
       All Department Heads  
       Legislative Strategist  
       Coalition of County Unions  
       California Contract Cities Association  
       Independent Cities Association  
       League of California Cities  
       City Managers Associations  
       Buddy Program Participants